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E.O. 12958: DECL: 10/29/2033
TAGS: [PARM](#) [PREL](#) [EFIN](#) [KNNP](#)
SUBJECT: LEVERAGING FATF STATEMENT ON IRAN INTO NATIONAL
ACTIONS

Classified By: U/S for Political Affairs Bill Burns
for reasons 1.4 (b) and (d)

[¶](#)1. (U) This is an action request. Please see paragraph 4.

SUMMARY/BACKGROUND

[¶](#)2. (SBU) On October 16, the Financial Action Task Force (FATF) issued its fourth warning of the serious threat posed by Iran's lack of a sufficient anti-money laundering and counterterrorist financing regime. In contrast with prior FATF actions on Iran, this statement marked a significant escalation in concern about the terrorism finance threat emanating from Iran and ratcheted up the call for preventive measures that should be implemented by FATF members and other

jurisdictions to protect their financial sectors from this risk. (See paragraph 12 for full text of the statement.) During the same plenary meeting, FATF also separately issued guidance on the steps that countries should take to implement UNSCR 1803's call for vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, in order to avoid such activities contributing to proliferation sensitive nuclear activities or to the development of nuclear weapon delivery systems. These two actions by the FATF, combined with the already widely held view that Iranian financial institutions play a key role in Iran's proliferation efforts, merit immediate action by countries to mitigate these illicit finance risks.

13. (SBU) Given the borderless nature of the international financial system, a concerted and coordinated action by Iran's key financial partners is critical to preventing Iran from evading sanctions and abusing the international financial system. The U.S. proposes that action addressees seek support from host governments to implement a set of suggested preventive measures designed to protect financial institutions from specific techniques employed by Iran to evade the controls of responsible countries and institutions. In particular, the U.S. is concerned about the continued provision of payment services to Iranian financial institutions via correspondent banking relationships, and asks countries to review and re-assess their financial institutions' correspondent relationships with Iranian financial institutions.

OBJECTIVES/ACTION REQUEST

14. (SBU) Washington requests Ambassadors approach appropriate high-level government officials in the foreign and finance ministries to achieve the following objectives:

-- Inform host governments about the two key actions that were taken by the FATF the week of October 13 (i.e., the October 16 FATF statement on the risk of terrorism finance emanating from Iran, and FATF guidance related to UN Security Council Resolution 1803's call for vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran), in order to avoid such activities contributing to proliferation sensitive nuclear activities or to the development of nuclear weapon delivery systems.

-- Highlight the importance of an effective response in order to maintain the integrity of this FATF guidance, and to continue robust implementation of UN Security Council Resolutions, in light of Iran's continued failure to cease its nuclear enrichment and reprocessing activities as mandated by the UN Security Council.

-- Ask host governments what specific steps they plan to take or have already taken to implement both the call for preventive measures as well as the guidance regarding implementation of UNSCR 1803;

-- Inform host governments that the U.S. plans to impose preventive measures in the coming weeks to further protect itself from the illicit finance risk emanating from Iran;

-- Highlight the provision of payment services via correspondent relationships with Iranian banks as a particular concern; ask countries to review and reassess their banks' correspondent relationships with Iranian financial institutions (NOTE: See specific points below in paragraph 6 for Berlin, Vienna, Brussels, and the Hague); and

-- Urge host governments to take at least one of the following preventive measures to address the specific risks posed by Iran:

A) Require financial institutions (FIs) to identify clients

and beneficial owners before establishing business relationships with individuals or companies from Iran;

B) Require FIs to review, and if necessary, terminate existing correspondent account relationships based upon a risk assessment to determine if the respondent Iranian financial institutions are complying with relevant requirements (NOTE: Posts should refer host governments to the FATF guidance issued on October 17 regarding the implementation of the financial provisions of UNSCR 1803 for specifics.);

C) Enhance reporting requirements for financial transactions involving Iran, including requiring systematic reporting of transactions, on the basis that financial transactions with Iran are likely to be more suspicious;

D) Restrict financial transactions with Iran or persons in Iran;

E) Deny any requests by Iranian banks to establish a subsidiary, branch, or representative office in the host country;

F) Deny requests by Iranian FIs to enter into joint ventures with or purchase a controlling stake in any host country financial institution;

G) Warn those commercial sectors with significant business ties with Iran that transactions with individuals or entities from Iran have a heightened risk of money laundering or terrorist financing;

H) Place existing Iranian branches and subsidiaries in the UK, France, Germany and Rome under the control of relevant competent authorities, including by requiring authorities to maintain a physical presence within these banks.

15. (SBU) FOR EMBASSIES LONDON, PARIS, BERLIN, ROME, TOKYO, OTTAWA

-- Emphasize the need for G-7 members in particular to implement concrete preventive measures as a response to the FATF statement to demonstrate the consensus view of the world's leading economies regarding the threat posed by Iran; and

-- Convey the U.S. expectation that G-7 countries will implement one or all of the measures proposed above; ask host countries for details on their implementation plans.

-- Convey the U.S. proposal for a coordinated statement within the next two weeks on steps taken by G7 countries to implement the preventive measures in response to the FATF statement, and press for a quick response to this proposal.

16. (SBU) FOR EMBASSIES BERLIN, BRUSSELS, THE HAGUE, VIENNA

-- Convey U.S. concern that banks in their countries are among the few in Europe that continue to provide large volumes of correspondent banking services to Iranian banks and thus, are vulnerable to involvement in potentially illicit transactions; and

-- Ask host government authorities to approach these banks to warn them of the risk and urge them to suspend - or restrict - their correspondent relationships with Iranian banks on the basis of the higher risks these relationships pose.

17. (SBU) FOR BERLIN ONLY

-- Note that the USG has consulted with both the German government and the German bank, BHF Bank, regarding the volume of its business with Iran; ask the Government of Germany to approach BHF Bank directly to warn it of the specific risk posed by its correspondent relationships with Iranian banks.

¶8. (SBU) FOR BRUSSELS ONLY

-- Note that the USG has consulted with both the Belgian government and the Belgian bank, KBC Bank, regarding the volume of its business with Iran; ask the Government of Belgium to approach KBC Bank directly to warn it of the specific risk posed by its correspondent relationships with Iranian banks.

¶9. (S/REL TO USA, NLD) FOR THE HAGUE ONLY

-- Note that the USG has consulted with the Dutch government regarding the Dutch bank, Credit Europe Bank, and the volume of its business with Iran; ask the Government of the Netherlands to approach Credit Europe Bank directly to warn it of the specific risk posed by its correspondent relationships with Iranian banks.

¶10. (S/REL TO USA, AUT) FOR VIENNA ONLY

-- The USG has consulted with both the Austrian government and the Austrian bank, Raiffeisen Zentralbank (RZB), regarding the volume of its business with Iran;

-- RZB is an outlier among European financial institutions in making a concerted business decision to maintain or even increase its relationships with Iran at this time, despite the risks; and

-- Ask the Government of Austria to approach RZB directly to caution it about the serious reputational risk of doing business with Iran, particularly as major banks in Europe are abandoning Iran.

¶11. (SBU) FOR CANBERRA ONLY

-- Thank the GOA for their October 15 announcement of expanded financial and travel sanctions.

-- Note that we are encouraging Japan and Korea to take similar measures.

¶12. (SBU) FOR TOKYO, SEOUL

-- Share text of October 15 Australian action on Iran. (The text of Australia's action can be downloaded from the following link:

<http://www.dfat.gov.au/un/unscl sanctions/iran 081015.html>)

-- Encourage Tokyo and Seoul to implement similar measures against Banks Melli, Mellat, and Saderat.

TEXT OF FATF STATEMENT ON IRAN, GUIDANCE ON UNSCR 1803

¶13. (U) Posts should share the following text of the October 16 statement on Iran issued by the FATF with host government officials. The full text can also be downloaded from the following link:

<http://www.fatf-gafi.org/dataoecd/25/17/41508 956.pdf>. Posts may also want to refer host governments to the FATF's guidance on UNSCR 1803 implementation, which can be downloaded from <http://www.fatf-gafi.org/dataoecd/47/41/41529 339.pdf>

BEGIN TEXT OF STATEMENT

The FATF welcomes Iran's recent engagement with the international community on anti-money laundering, notes the initial steps taken towards remedying the deficiencies in this area, and urges Iran to address the remaining weaknesses.

The FATF is particularly concerned that the lack of corresponding effort by Iran to address the risk of terrorist financing continues to pose a serious threat to the integrity of the international financial system. Urgent action to

address this vulnerability is necessary.

The FATF calls on its members, and urges all jurisdictions, to strengthen preventive measures to protect their financial sectors from this risk.

The FATF is prepared to engage directly in assisting Iran in decisively addressing the weaknesses in its AML/CFT regime.

End text of statement.

REPORTING DEADLINE

¶14. (U) Post should report results by close of business within seven days of receipt of cable. Please slug replies for ISN, T, Treasury, NEA, INR, EEB, S/CT, and INL. Please caption all replies SIPDIS.

POINT OF CONTACT

¶15. (U) (U) Washington point of contact for follow-up information is Jennifer Chalmers, ISN/CPI, (202) 647-9715, CHALMERSJA@STATE.SGOV.GOV.

¶16. (U) Department thanks Posts for their assistance.
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